

# **MEDICAL BOARD OF CALIFORNIA - DIVISION OF LICENSING INITIAL STATEMENT OF REASONS**

## **REVENUE NEUTRAL FEE CHANGES TO OFFSET LOSS OF INVESTIGATIVE COST RECOVERY**

Hearing Date: Friday, May 12, 2006

Subject Matter of Proposed Regulations: Revenue Neutral Fee Changes to  
Offset Loss of Investigative Cost Recovery

Section(s) Affected: Amend Title 16, California Code of Regulations sections 1351.5 and 1352

### Problem Addressed

Senate Bill 231 (Chapter 674, Stats of 2005) amended B&P Code Section 2435 to set a fee of \$790 for the initial license fee and the biennial renewal fee. Previously, Section 2435 listed the maximum license fee and biennial renewal fee at \$610 and the Board, by regulation, adopted the actual fee which was charged for both, that being \$600. Since statute supersedes regulation, the mandatory fee of \$790 has been charged since January 1, 2006.

SB 231 added Section 125.3 (k) to delete the Board's authority to seek recovery of investigation and prosecution costs for a disciplinary proceeding against a licensee. This represents a loss of cost recovery income of over \$815,000 annually. However, in that same section, the bill states that the board shall ensure that this loss of income is revenue neutral and that any loss of revenue or increase in costs resulting from this subdivision is offset by an increase in the amount of the initial license fee and the biennial renewal fee, as provided in Section 2435(e), which allows for the adoption of such regulations. This was a negotiated provision, agreed to by both the California Medical Association and the Board.

This rulemaking would amend those sections which set forth the initial license fees and the biennial renewal fees by an amount equal to that income lost through the elimination of cost recovery, as required by Section 125.3 (k). The objective is to ensure the fiscal solvency of the Board.

### Factual Basis

Before January 1, 2006, the Board was able to seek recovery of investigation and prosecution costs for a disciplinary proceeding against a licensee. This represented a cost recovery income of over \$815,000 annually and over \$1.6 million every two years. However, SB 231 eliminated the Board's authority to seek cost recovery, yet directed the Board to ensure that this loss of income is revenue neutral.

Since there are approximately 52,500 renewals each year, the increase in initial license fees and biennial renewal fees should be about \$15.50 annually.

The dollar amounts used in this rulemaking are estimates. As required by Section 2435(e), the Board's budget staff will to re-review these figures after July 1, 2006, and, if necessary, the board will amend the proposed language to identify the most accurate figures.

### Underlying Data

- 1) A review of the Medical Board's fund condition (a copy of which is attached, dated 12/12/05)
- 2) An analysis of the revenue lost by the deletion of investigative cost recovery, as follows:

#### Investigative Cost Recovery Income:

FY 03/04 = \$ 884,685

FY 04/05 = \$1,018,838

FY 05/06 = \$ 476,385 (through January 31, 2006; data for remaining 5 months of the fiscal year still outstanding)

The average annual amount collected for this three year period will be over \$800,000. This amount, divided by the Medical Board's approximate 52,500 annual renewal population, equals about \$15.50. Assuming this rulemaking regulation is approved with an increase for renewals at \$15.50, the 06/07 additional revenue would be about \$813,750 and in 07/08 about \$821,500.

After the close of FY05/06 but before this rulemaking is finalized, the Medical Board intends to re-calculate those figures for the most recent three-year period and will, if necessary, amend the proposed language to more accurately reflect the costs.

### Business Impact

This regulation will have minimal impact on business. Only those businesses which employ physicians and surgeons and pay for the license or renewal fees will be impacted, but it would only be about \$15.50 per physician per year.

### Specific Technologies or Equipment

This regulation does not mandate the use of specific technologies or equipment.

### Consideration of Alternatives

No alternative which was considered would either be more effective than or equally as effective as and less burdensome to affected private persons than the proposed regulation.